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July 26, 2007

TO: Supervisor Zev Yaroslavsky, Chairman
Supervisor Gloria Molina
Supervisor Yvonne B. Burke
Supervisor Don Knabe
Supervisor Michael D. Antonovich

FROM: J. Tyler McCauley *tm*
Auditor-Controller

SUBJECT: **HEALTH RESEARCH ASSOCIATION dba UNIVERSITY OF
SOUTHERN CALIFORNIA SATELLITE HOUSING PROGRAM
CONTRACT COMPLIANCE REVIEW – A DEPARTMENT OF MENTAL
HEALTH SERVICES PROVIDER**

We have completed a contract compliance review of Health Research Association dba University of Southern California Satellite Housing Program (HRA or Agency), a Department of Mental Health (DMH) services provider.

Background

DMH contracts with HRA, a private non-profit community-based organization, which provides services to clients in Service Planning Area 4. The services that HRA provides include interviewing program clients, assessing their mental health needs, and developing and implementing a treatment plan. The Agency's headquarters is located in the Second District.

Our review focused on approved Medi-Cal billings. DMH paid HRA between \$1.71 and \$4.08 per minute of staff time (\$102.60 to \$244.80 per hour). HRA's contract was for approximately \$278,000 for Fiscal Year 2006-07.

"To Enrich Lives Through Effective and Caring Service"

Purpose/Methodology

The purpose of the review was to determine whether HRA provided the services outlined in their contract with the County. We also evaluated whether the Agency achieved planned service levels. Our monitoring visit included reviewing a sample of HRA's accounting records and documentation to support the Agency's compliance with the fiscal requirements of its DMH contract. We also selected a sample of HRA's billings, client charts, and personnel and payroll records to review HRA's compliance with DMH program requirements. In addition, we interviewed staff from HRA and a sample of clients or their parents/guardians.

Results of Review

Overall, HRA provided the services required by the County contract. HRA's expenditures were allowable and accurately billed to DMH. HRA also maintained adequate controls to ensure they properly recorded and deposited revenue and the Agency appropriately allocated overhead costs to the DMH program. However, HRA did not always complete the clients' Progress Notes in accordance with the County Contract. Specifically, Progress Notes for six of the 35 clients reviewed did not describe the specific contribution of each staff billed. The Agency also did not document informed consent for three (30%) of ten clients sampled.

We have attached the details of our review along with recommendations for corrective action.

Review of Report

We discussed the results of our review with HRA on June 14, 2007. In their attached response, the Agency generally agreed with the results of our review and described their corrective actions to address the findings and recommendations contained in the report.

We thank HRA management for their cooperation and assistance during this review. Please call me if you have any questions or your staff may contact Don Chadwick at (626) 293-1102.

JTM:MMO:DC

Attachment

c: William T Fujioka, Chief Executive Officer
Dr. Marvin J. Southard, Director, Department of Mental Health
Kathleen Hurtado, President and CEO, Health Research Association
Public Information Office
Audit Committee

**CONTRACT COMPLIANCE REVIEW
HEALTH RESEARCH ASSOCIATION dba UNIVERSITY OF SOUTHERN
CALIFORNIA SATELLITE HOUSING PROGRAM
FISCAL YEAR 2005-2006**

BILLED SERVICES

Objective

Determine whether Health Research Association (HRA) provided the services billed in accordance with their contract with Department of Mental Health (DMH).

Verification

We reviewed 35 billings totaling 2,235 minutes from 10,742 service minutes of approved Medi-Cal billings from April and May 2006. We reviewed the Progress Notes, the Assessments and the Client Care Plans maintained in the clients' charts for the selected billings. The 2,235 minutes represent services provided to 22 program participants.

Results

HRA did not complete seven (20%) of the 35 Progress Notes in accordance with the County contract. Specifically,

- Six Progress Notes did not describe the specific contribution of each staff billed.
- Two Progress Notes did not describe what the client or service staff attempted and/or accomplished towards the client's goals.

The total number of insufficiently documented Progress Notes cited above exceeded the number of insufficiently documented Progress Notes reviewed because one Progress Note contained more than one deficiency.

Client Care Plans

HRA did not maintain completed Client Care Plans for three (14%) of the 22 clients sampled. The Client Care Plan establishes goals and interventions that address the mental health issues identified in the client's Assessment. Specifically, two Client Care Plans did not contain goals and planned interventions for each type of treatment provided, and one Client Care Plan did not contain observable and/or quantifiable goals.

Informed Consent for Medication

HRA did not document informed consent for three (30%) of ten clients sampled. Informed consent is required on an annual basis and when medication changes, and

documents the client's agreement to a proposed course of treatment based on receiving clear, understandable information about the treatment's potential benefits and risks.

Recommendations

HRA management:

1. **Maintain sufficient documentation in the case files to support its compliance with contract requirements for the services billed to DMH.**
2. **Ensure that Client Care Plans are completed in accordance with the County contracts.**
3. **Ensure that informed consent is documented in the client's chart each year or when medication changes.**

CLIENT VERIFICATION

Objectives

Determine whether the program participants received the services that HRA billed DMH.

Verification

We interviewed ten participants that the Agency billed DMH for services during the months of April and May 2006.

Results

The ten program participants interviewed stated that the services they received from the Agency met their expectations.

Recommendation

There are no recommendations for this section.

STAFFING LEVELS

The objective of this section was to determine whether the Agency maintained the appropriate staffing ratios for applicable services.

We did not perform test work in this section as the Agency does not provide for services that require staffing ratios for this particular funding program.

STAFFING QUALIFICATIONS**Objective**

Determine whether HRA's treatment staff possessed the required qualifications to provide the services.

Verification

We reviewed the California Board of Behavioral Sciences' website and/or the personnel files for three of five treatment staff who provided services to DMH clients during March and April 2006.

Results

Each employee in our sample possessed the qualifications required to deliver the services billed.

Recommendation

There are no recommendations for this section.

SERVICE LEVELS**Objective**

Determine whether HRA's reported service levels varied significantly from the service levels identified in the DMH contract.

Verification

We obtained the Fiscal Year 2005-06 Cost Report submitted to DMH by HRA and compared the dollar amount and billed units of service to the contracted units of service identified in the contract for the same period.

Results

HRA provided the service levels outlined in the County contract.

Recommendation

There are no recommendations for this section.

CASH/REVENUE**Objective**

Determine whether cash receipts and revenue were properly recorded in the Agency's financial records and deposited timely in their bank account. Determine whether there were adequate controls over cash.

Verification

We interviewed HRA's management and reviewed the Agency's records. We also reviewed the Agency's June 2006 bank reconciliations for their general and payroll accounts.

Results

HRA properly recorded and deposited cash receipts timely. In addition, the Agency completed timely and appropriate reconciliations of their bank accounts.

Recommendation

There are no recommendations for this section.

EXPENDITURES**Objective**

Determine whether the expenditures are appropriate and allowable under regulations governing the contract and are properly documented.

Verification

We reviewed HRA's accounting records and supporting documentation for 10 expenditures charged to the DMH program totaling \$12,181.

Results

HRA's expenditures were allowable and accurately billed to DMH. However, the Agency maintained scanned images of supporting documentation for all expenditures tested but did not maintain original invoice, as required by the County contract.

Recommendation

4. HRA management maintain original invoices/receipts to support program expenditures.

PAYROLL AND PERSONNEL

Objective

Determine whether payroll expenditures are appropriately charged to the program. In addition, determine whether personnel files are maintained as required.

Verification

We review the payroll register and timecards for the pay period ending May 31, 2006 for all four employees billed to DMH during the month. In addition, we reviewed the employees' personnel files and interviewed two of the employees. We also compared staff listed on the May 2006 health benefits billing statement with the payroll register.

Results

HRA billed DMH appropriately for staff salaries and employee benefits. However, three (75%) of the four staff members did not maintain timecards. The County contract requires timecards or time reports for each pay period signed by the employee and supervisor.

Recommendation

5. HRA management ensure that timecards are maintained for all employees and signed by the employee and supervisor.

COST ALLOCATION PLAN

Objective

Determine whether HRA's Cost Allocation Plan is prepared in compliance with the County contract and appropriately applied to program costs.

Verification

We reviewed the Agency's Cost Allocation Plan, interviewed management and reviewed documentation to support HRA's indirect costs billed to DMH.

Results

HRA's Cost allocation plan was prepared in compliance with the County contract and indirect costs were appropriately allocated. However, as previously indicated, HRA did not maintain timecards for all their staff. As a result, we recommended that they maintain timecards to document staff's time.

Recommendation

There are no recommendations for this section.



Health Research Association, Inc.
an affiliate of University of Southern California

July 11, 2007

J. Tyler McCauley, Auditor~Controller
County of Los Angeles, Dept of Auditor~Controller
500 West Temple Street, Room 525
Los Angeles, California 90012-2706

Dear Mr. McCauley:

We have received the draft Report of your Compliance Review of the USC Satellite Housing Program dated July 2007. We appreciate the time spent and recommendations provided.

The following are our responses to the findings:

BILLED SERVICES: The Program Manager will review all case files on a quarterly basis verifying the following documentation has been entered on the client chart or information placed in the client file:

1. Sufficient entries have been made by staff to the case files to support the services billed to DMH.
2. Client Care Plans contain observable and/or quantifiable goals.
3. An Informed Consent has been obtained for each client and updated if there are medication changes.

EXPENDITURES: Original invoices/receipts supporting the program will be maintained at the project site.

PAYROLL AND PERSONNEL: Timecards will be prepared by all staff employees working on the Project. All timecards will be signed by the employee and approved by their supervisor.

If you have any questions or suggestions, please call me (323.223.4091) or send an email dlee@health-research.org

A handwritten signature in black ink, appearing to read "Dennis M. Lee". The signature is stylized with a large "D" and "L" and a cursive "M".

Dennis M. Lee
Chief Financial Officer